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**Section 8 Voucher Program Recommendations to
Accompany the Statement of Gary Clopp, Topa Management
Member of the**

NATIONAL LEASED HOUSING ASSOCIATION

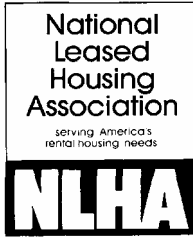
Before the

House Committee on Financial Services

Subcommittee on Housing and Community Opportunity

July 1, 2003

Los Angeles, CA



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VOUCHER UTILIZATION RECOMMENDATIONS
SUBMITTED BY THE NATIONAL LEASED HOUSING ASSOCIATION
To Accompany the Statement of Gary Clopp
Topa Management Company
July 1, 2003
Los Angeles, CA

The Section 8 Programs have been a powerful and versatile tool for almost thirty years. Section 8 can serve the very poorest who need substantial help to those who only need shallow assistance to live in decent, affordable housing. Currently, over 1.9 million families receive assistance under the Section 8 tenant-based program.

As of January 31, 2003, HUD reports that 95.3 percent of the total authorized vouchers are under-lease, with a clear upward trend in the months to come. Two years ago, mostly due to extremely tight rental markets, the voucher utilization rate was only 91 percent.

A program that is serving nearly 2 million families does not need overhauled. The program works well in many parts of the country and with very minor tweaking, can be better positioned to maintain high utilization rates when real estate markets again tighten up.

The majority of housing voucher administrators, mostly public housing agencies, have become experts on their local markets, have strong relationships with the landlords they work with and subject to adequate financial resources, have been steadily improving their abilities to provide tenant search assistance and counseling. These factors are critical to the successful administration of the Section 8 voucher program.

In 1998, Congress has made a number of improvements to the voucher program that have removed several barriers to landlord participation and changes enacted in 2001 better enable housing agencies to use their vouchers to expand the supply of housing.

The program is not perfect, but it is not broken. If any fine tuning to the program were to be contemplated in the future to improve voucher utilization, particularly during times of tight rental markets, our wish list would be limited to:

Inspection Process

To facilitate successful leasing and to encourage increased participation by owners, we believe that HUD should permit PHAs to start housing assistance payments to owners of properties that have only minor HQS violations. A statutory change would not be required.

In the Section 8 program, assistance contracts may not begin until the PHA has certified that the property owner has corrected all HQS deficiencies. When the HQS deficiency is minor and does not threaten the family's safety or security, many landlords see the subsequent delay in renting the unit as unnecessary and bureaucratic. PHAs and program participants would be more successful if the PHA had the authority to start the housing assistance contract immediately after the first inspection if the only HQS violations are minor. Of course, the owner must agree to make corrections within a 30-day period. In this scenario, the PHA would still follow through with a re-inspection and would apply existing non-compliance remedies if the landlord failed to complete the repairs.

The way the voucher program is currently structured, newly leasing families are treated differently than a family whose unit is undergoing an annual inspection. If the PHA finds a non life-threatening HQS deficiency during the annual HQS inspection of a property already on the program, the PHA continues subsidy payments for thirty days. This gives the landlord a reasonable amount of time to make the repairs. However, for new families, the PHA may not begin subsidy payments until the unit is free of all HQS deficiencies. Some HQS deficiencies are minor and easily corrected. **Delaying rent payment until such repairs are completed limits the number of owners willing to participate in the program, makes the PHA seem intractable and bureaucratic and further limits the families' choice of units.**

Keeping Pace with Rising Rents

To increase the participation of landlords, the rents permitted under the voucher program must keep pace with rising rental markets.

When real estate markets become tight, historically the voucher rents have not kept pace. Several years ago, HUD took an important step forward by allowing an increase in the Fair Market Rent (FMR) in 39 rental markets to more adequately mirror the average rents for these particular areas. Unfortunately, the rest of the country still operates under FMRs that are calculated at the 40th percentile. In other words, "fair" market rent is actually **below** the average rent for the area, making it difficult for families to find affordable housing in low poverty areas.

In 1998, Congress attempted to address the FMR inadequacies by providing PHAs with an ability to set their payment standards up to 110 percent of FMR. With HUD approval, the payment standard may be raised to 120 percent of FMR. This flexibility was a great improvement, however, in tight rental markets, a 120 percent of FMR payment standard is often insufficient for families to find housing.

HUD should adjust the FMRs upwards by using the 50th percentile as a baseline for all market areas and PHAs should be provided additional flexibility, with HUD approval, to increase payment standards above 120 percent of FMR when the rents rise faster than the Fair Market Rents.

Tenant Rent Caps

Another issue that plays a role in preventing lease-up relates to the 40 percent cap on tenant rents. Currently, families that are receiving voucher assistance for the first time or are currently in the program, but wish to move to a new unit are not permitted to pay more than 40 percent of adjusted income toward their rent. NLHA supports a cap as a general rule, and does not recommend its repeal, but believes flexibility is necessary to address extenuating circumstances. An example of such a circumstance is an elderly woman renting an apartment with her spouse, the spouse dies. The reduction in income qualifies the woman for a voucher, but as she would be paying 42 percent of income for rent, the law requires her to move to a cheaper unit. This is a difficult concept to explain to someone that has lived in their apartment for many years, is afraid to move and to boot, would be paying 60 percent of her income without the voucher.

Another example is a family already receiving voucher assistance and currently paying 50 percent of their income for rent. That family, under current law, is not permitted to move to a cheaper unit to save money if their tenant rent payment would be above 40 percent of adjusted income. Clearly, this is an unintentional consequence or a drafting error, but a situation that affects numerous families each year.

It should be noted that providing the families an ability to choose to exceed the 40 percent cap in such limited situations, in no way reduces the amount of subsidy that is provided by the voucher.

Thank you for your consideration of our views.